

Press Release

Krushi Infrass India Private Limited

November 22, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB/ Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 10.00 crore bank facilities of KRUSHI INFRAS INDIA PRIVATE LIMITED (KIPL). The outlook is 'Stable'.

Krushi Infrass India Private Limited (KIPL) was established in 2008 by Mr. Ch. Krishna Reddy is engaged in utility and infrastructural projects like Water & Waste Management, buildings, irrigation projects and roads & bridges to name a few. The company is a registered special class contractor of Irrigation Department Govt. of Telangana and class 1 contractor with Karnataka State Public Works Department, Irrigation department and BUIDCO of Government of Bihar. The company has completed more than 1000 kms of sewer lines and Road works each.

Analytical Approach

Acuite has taken standalone view of business and financial risk profile of KIPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced Management

Incorporated in 2008, KIPL is engaged in executing turnkey civil construction projects for various Government departments of Telangana, Bihar, Andhra Pradesh and Uttar Pradesh and is registered as class I contractor. The timely execution of the projects helped the company in improving its market presence, besides continued business from the current customers. The company reported revenues of Rs. 139.25 crore in FY2019 (Provisional) as compared to Rs.135.54 crore in FY2018 and Rs.133.26 crore in FY2017. As of March 2019, KIPL has an unexecuted order book position of Rs.144.28 crore; out of which Rs. 43.80 is expected to be executed in FY2020 and rest Rs. 101.29 crore by FY2022. Further, KIPL has participated in various tenders and expecting a Rs. 377.66 crore of orders, which are to be executed in next 12-36 months, thus giving a healthy revenue visibility in near to medium term. Overall, the company has an adequate revenue visibility over the medium term. Acuite believes that KIPL's domain expertise and long track record of operations continues to support in winning bidding nature of Government business.

• Moderate financial risk profile

KIPL's financial risk profile is moderate marked by moderate net worth, healthy gearing (debt-to-equity) and comfortable total outside liabilities to total net worth (TOL/TNW) and healthy debt protection metrics. KIPL's net worth is moderate at Rs.50.20 crore as on March 31, 2019 (provisional) as compared to Rs. 48.13 crore as on March 31, 2018. Gearing is low at 0.34 times as on March 31, 2019 (provisional) against from 0.40 times in FY2018. TOL/TNW is moderate at 2.22 times in FY2019 (provisional) vis-à-vis 1.80 times in FY2018. Its debt protection metrics are moderate marked by interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) at 2.73 times and 0.23 times in FY2019 (provisional) vis-à-vis 2.19 times and 1.80 times in FY2018, respectively. KIPL reported cash accruals in the range of Rs.3.84 crore in FY2019 against repayment obligations of Rs. 0.56 crore. KIPL's cash accruals are estimated to remain around Rs. 4.10 – 4.70 crores during 2020-22, while its repayment obligations are nil; which gives adequate comfort for the incremental working capital requirements. Acuite believes that with expected improvement in revenues and growth in profitability, the financial risk profile is expected to improve further over the medium term.

Weaknesses

• Working capital intensive operations

KIPL's operations are working capital intensive as evident from high Gross Current Assets (GCA) of 294 days for FY2019 (provisional) as against 245 days for FY2018, on account of stretch in receivables. Receivable days are reported at FY2019: 254 days as against FY2018: 182 days. Stretch in liquidity has led to full utilisation of bank limits. However, Acuite believes with increasing scale of operations, any further deterioration in working capital thereby leading to higher dependence on external bank borrowings will entail a negative bias towards the rating.

• Highly competitive and fragmented industry with tender based nature of Operations

The firm operates in highly competitive and fragmented industry which limits its bargaining power. Acuite believes that the firm's ability to scale up operations will remain crucial to maintain a stable credit risk profile.

Key Rating Sensitivity Factors

- Substantial growth in revenue backed by timely completion of projects.
- Further deterioration in working capital.

Material Covenants

None

Liquidity Position: Stretched

Liquidity of KIPL is stretched marked by high GCA days and high utilisation of bank limits. KIPL's operations are working capital intensive as marked by gross current asset (GCA) days of 294 in FY2019 (Provisional). Further, KIPL's bank limits are fully utilised and with higher order book KIPL is expected to require higher working capital limited to support for the same. However, KIPL reported cash accruals in the range of Rs.3.84-4.06 crore over the past two years through FY2019 (provisional) against which there are repayment obligations of Rs. 0.56 crore. Cash accruals are estimated to remain around Rs. 4.10 – 4.70 crore during 2020-22, while its repayment obligations are expected to be nil; which gives adequate comfort for the incremental working capital requirements. Acuite believes that though cash accruals are adequate, however, incremental working capital requirement for the growing size of operations are expected to absorb the cushion in the liquidity and liquidity is expected to continue at stretched levels.

Outlook: Stable

Acuite believes that KIPL will maintain a 'Stable' outlook over the medium term backed by its experienced management and adequate revenue visibility. The outlook may be revised to 'Positive' in case of significant improvement in its revenues, while maintaining the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to deteriorating in liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	139.25	135.54	133.26
EBITDA	Rs. Cr.	139.25	135.54	133.26
PAT	Rs. Cr.	9.22	8.00	8.45
EBITDA Margin	(%)	6.62	5.90	6.34
PAT Margin	(%)	1.48	1.80	1.63
ROCE	(%)	11.53	10.00	21.47
Total Debt/Tangible Net Worth	Times	0.34	0.40	0.43
PBDIT/Interest	Times	2.73	2.19	2.61
Total Debt/PBDIT	Times	1.77	2.28	2.20
Gross Current Assets (Days)	Days	294.08	244.55	457.82

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable (Assigned)
Over Draft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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